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October 24, 2022

Jason P. Gottlieb, Esq.
Morrison Cohen LLP
909 Third Avenue
New York, NY 10022-4784

RE: *True Return Systems LLC v. Compound Protocol*, No. 1:22-cv-8483 (S.D.N.Y.)

Dear Mr. Gottlieb:

This is in response to your October 18, 2022, letter on behalf of Compound Labs, Inc. For the reasons discussed below, we respectfully decline to withdraw the Complaint filed against Compound Labs on October 5, 2022, by our client, True Return Systems, LLC ("TRS").

TRS categorically rejects the suggestion that litigation against Compound Protocol is in bad faith, an *in terrorem* campaign against the community, legal brinksmanship, or any other improper motive that Compound Labs would associate with TRS.

TRS has, for the better part of a year, been attempting to obtain redress for the unlawful use of its technology, which has included outreach to Compound entities, stakeholders, and the community at large. These efforts have been stymied by the structure built around the Compound Protocol which is designed to sow confusion as to the responsible party and reduce regulatory scrutiny.¹

The filing of the Complaint is the logical next step in TRS's lawful and good faith efforts to enforce the '797 Patent with the best information it had available at the time.

¹ As an example, Compound Labs continues to share its name and social media accounts with the protocol (shared in such a way as to invite intentional confusion and possible deception), despite representations from counsel that they are separate and distinct. Compound Labs continues to use the Twitter account @compoundfinance for direct communication with the public including the owners of the COMP token. Compound Twitter public communications include real-time communications and real-time notices. See e.g., twitter.com/compoundfinance/status/1565848368290697217, posted Sept. 2, 2022 ("here are 4 extremely important governance proposals to pay attention to right now; if you use Compound or hold \$COMP, now is a great time to participate in governance").

TRS Stands by the Complaint

To address your immediate concern, TRS did not file against Compound Protocol as an alter ego to Compound Labs, Inc., or for some other below-board purpose. Indeed, TRS has no reason to not accept the recent public representations made by Compound Labs, Inc. relating to its turnover of control and administration of the protocol and the protocol's businesses.² However, it is a matter of fact that, for an extended period beginning in 2018, Compound Labs did represent that it was the creator and administrator of the protocol.³

Nonetheless, due to the obviously nonpublic nature of Compound Labs, in contrast to the Compound Protocol, TRS is presently unable to determine if Compound Labs itself is infringing on '797.

Compound Protocol Is Not Simply Software

Publicly available information suggests that Compound Protocol is something far more significant than "mere software" as you suggest.

For example, in August 2022, Robert Leshner of Compound Labs (who one can assume is reasonably informed regarding the protocol) described Compound Protocol as "a community-governed protocol, with over \$100 Billion of transactions."⁴ This is clearly in conflict with the representation Compound Protocol is merely software. Similarly the compound forum (www.comp.xyz/), comp.vote (comp.vote), and other linked sites are run by protocol administrators for the purpose of making and voting on proposals that (subject to upvote) are implemented by a core protocol team or paid contractors. Compound owners have voted on more than 130 business proposals including the distribution of assets of the protocol in addition to other distributions. Excel or Acrobat this is not.

The Securities and Exchange Commission has also started to look at tokens on decentralized networks as something more than software or data.

The Chairman of the S.E.C. has said that said "projects" that reward participants with valuable digital tokens or similar incentives could cross a line into activity that should be regulated, no matter how "decentralized" they say they are.⁵ Similarly, a proposed S.E.C. rule would subject DeFi "communication protocol systems" to regulation. Again, this is more than software.

² See "The Compound Protocol Belongs to the Community," Compound Blog at Medium.com, Jake Chervinsky, General Counsel, June 16, 2020, medium.com/compound-finance/compound-community-ownership-ee0ed1252cc3.

³ See Compound Launches Money Markets for Ethereum Assets", Robert Leshner, Sept. 2018, medium.com/compound-finance/compound-launches-money-markets-for-ethereum-assets-f50920f04488

⁴ "Compound III is Live," Robert Leshner, Aug. 25, 2022, medium.com/compound-finance/compound-iii-is-live-a7983dee7e60.

⁵ See Commissioner Gensler, WSJ "Crypto's 'DeFi' Projects Aren't Immune to Regulation, SEC's Gensler Says," Aug. 19, 2021, www.wsj.com/articles/cryptos-defi-projects-

TRS's '797 Patent is Presumptively Valid

TRS's '797 Patent has already been subject to the scrutiny of the USPTO and is entitled to a legal presumption of validity under 35 U.S.C. § 282, one that may only be rebutted in the face of clear and convincing evidence. The USPTO does not grant patents without consideration to prior art and the suggestion that Track One prioritized examination is somehow incomplete, inexpert, or corrupt is without support or merit.

Unlike other areas of manufacturing and technology, the distributed computerized ledger space was very new in early 2018 and was fewer than 10 years from its theoretical origins when the application leading to the '797 Patent was examined. As of 2018, there were a relatively small number of groups working in the space, and fewer were focusing on the scaling data systems in distributed ledgers.

* * *

We look forward to resolving this dispute without protracted litigation. Should you wish to discuss the matter, you may always call me at the number listed above.

Very truly yours,



David A. Boag

arent-immune-to-regulation-secs-gensler-says-11629365401 (suggesting that the presence of “governance and fees” is a relevant factor).